

Commercialization Strategies that Work



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DAWNBREAKER®

- ❖ Professional Services firm - Rochester, NY
- ❖ Worked with over 1200 SBIR/STTR firms
 - ❖ - Department of Energy, EPA, Navy, NSF, NIH/NCI
 - ❖ - Phase 2 - Commercialization Assistance Program (CAP)
 - ❖ DOE, EPA, Navy, NIH
 - ❖ - Phase 1 - Commercialization Planning Program (CP²)
 - ❖ NSF
- ❖ Business Planning for Scientists & Engineers
- ❖ 50% receive private sector investment
 - ❖ 12-18 months of completing Commercialization Assistance program (CAP)



What is Commercialization?

- “The process of developing markets and producing and delivering products or services for sale (whether by the originating party or by others)..... commercialization includes both government and non-government markets.”
 - *National Science Foundation SBIR Solicitation*

What is a commercialization strategy?

- Not defined in solicitations.....but alluded to
 - “....your company’s strategy for converting your proposed SBIR research into a product or non-R&D service with widespread commercial use -- including private sector and/or military markets.”
 - *DoD SBIR solicitation*

Small Business Innovation Research (SBIR)

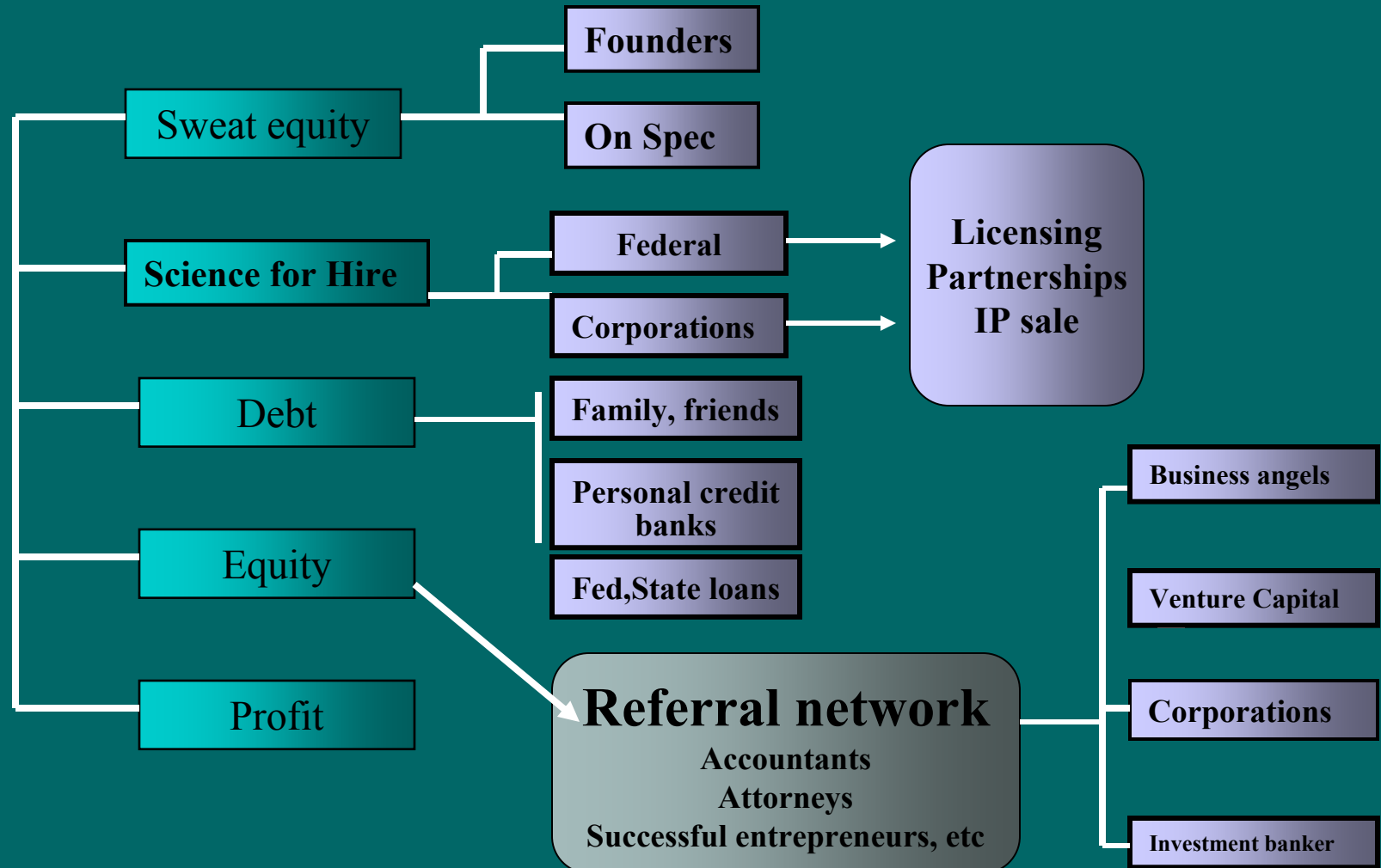
- Set Aside Program for Small Business
- Ten agencies participate
- Phased Program
 - Phase 1 - 6 months for Concept Development
 - Up to \$100,000
 - Phase II - 2 years for Prototype Development
 - Up to \$750,000

Commercialization Strategy

The series of financing options that a company entertains to move its technology from concept to the marketplace

Milestone	How Funded?
Concept development	Phase I SBIR
Business case development	G&A
Prototype development	Phase II SBIR
Intellectual property protection	Retained earnings
Beta testing	Corporate partner
U/L approval	Retained earnings
Test market introduction	???
Marketing	???
Scale-up Production	???

Roadmap to Financing Options

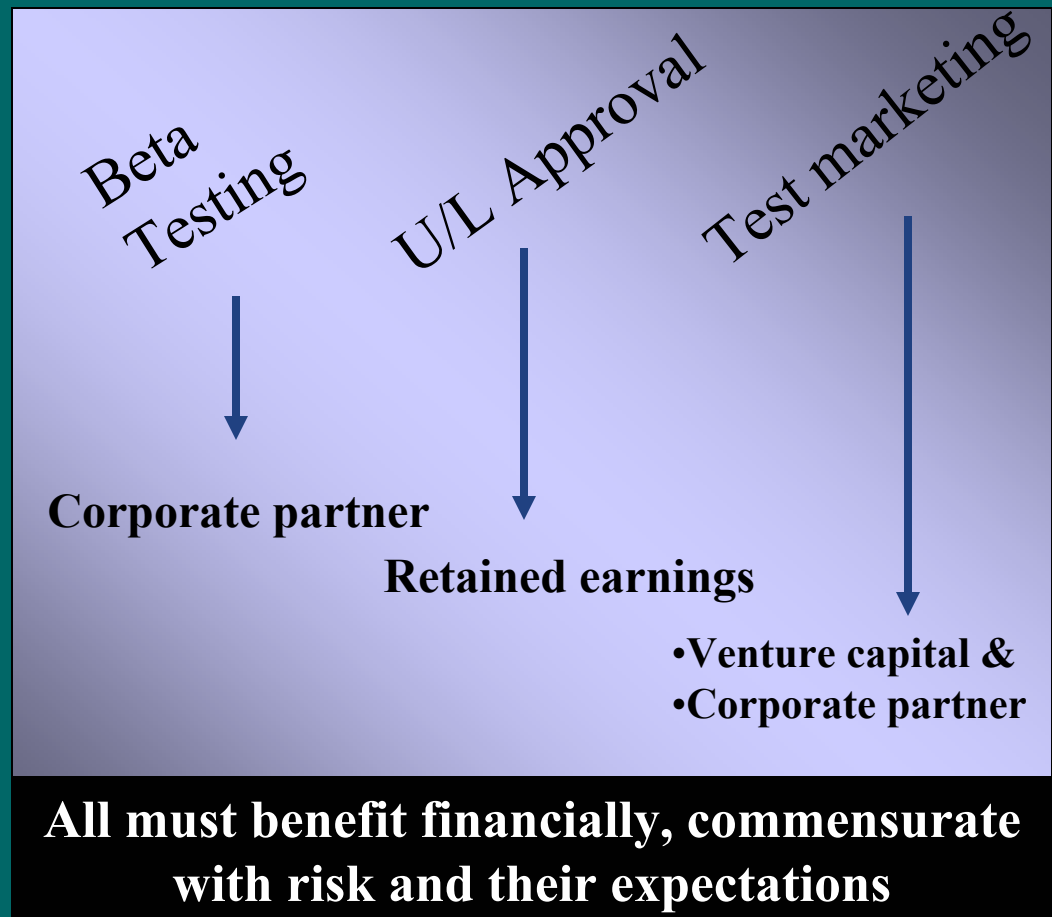


All require a Return on Investment!

MILESTONE

SOURCE OF \$

ROI?



Strategy selection process

- ◆ Iterative build and test
- ◆ Articulate at the outset and
- ◆ Revisit
 - as you collect additional market data
 - as you develop the business case
 - during negotiations with partner/investor



Factors which effect your commercialization strategy

- ◆ Mission
- ◆ Vision
- ◆ Business philosophy
- ◆ Your current situation
- ◆ Window of opportunity
- ◆ Competitors



Mission

- ◆ Business functions
- ◆ Products and technologies
- ◆ Markets served
- ◆ Sustainable competitive advantage

Sample Mission Statement

- “Soarrell Medical Systems develops, produces, markets, and supports proprietary, patient-oriented software, biometric smart cards and readers which interface with computerized patient record (CPR) systems. We offer outstanding customer support and share the financial risk with medical practitioners. We are dedicated to making it easier for physicians in private practice to spend more time providing quality care.”

Elements of Vision

- 5-years out
 - Financial goals - revenue goals, profit margin goals
 - Market goals - customers served, market niche, geographic region, market share
 - Products and services
 - Image- How will you be perceived by customers, competitors, employees, community

Typology of Visions

	Revenue	Employees	Purpose	Public/ Private
Life-Style	\$2 million	30-40	Support owners	Private
Foundation	\$10-\$30 million	40-400	Start new industry	Private
High Potential Venture	\$20-30 million	500+	Growth & value	Go Public

Business Philosophy

- ◆ I don't want to give to control
- ◆ I want to try it all
- ◆ I want to enjoy myself
- ◆ I don't care who gets rich



Current situation

- ◆ Financial health
- ◆ Sustainable competitive advantage
- ◆ Stage of product/technology development
- ◆ Management
- ◆ Market readiness
- ◆ Risk: technology, market, management



Competitors

◆ Positioning to

- Take advantage of a window of opportunity
- Broaden a customer base
- Expand services



Customer requirements of suppliers

- Financial stability
- Platform interface issues
- Quality - ISO, CE certified
- Continuous improvements
- Quantities and delivery schedules
- Customer support

Sample Strategy-Licensing

- Vision: Life-style company
- Philosophy: Do what I enjoy

Financing Method	Milestone
Start-up	Sweat equity
Concept development	SBIR
Intellectual property	Retained earnings
Application development	Licensee
Production	Licensee

Strategy - Strategic Alliance

Vision: Foundation company (R&D and manufacturing)
Philosophy: Conservative

Financing Method	Milestone
Start-up	Sweat equity
Concept development	SBIR
Intellectual property	Retained earnings
Prototype development	SBIR
Production scale-up	Equity investor, converted to debt
Marketing/sales	Strategic alliance

Strategy- Equity Investment in Parent Company

Vision: High Potential Venture

Philosophy: Rich is good

Financing Option	Milestone
Concept development	Sweat equity
Prototype development	Science-for-hire
Product introduction	Private placement
Market penetration	Debt financing from equity investors

Sample strategy - IPO

Vision: High Potential Venture

Philosophy: I want to try it all

Financing Options	Milestones
Concept development	Federal funding
Prototype development	Seed financing from angels
Market test	Retained earnings
Market introduction	Equity- Fortune 500 company
Scale-up	Second round financing from VC
New facility	Private placement
Expansion	Line of credit, Profits
Market penetration	IPO

Combination of strategies

– Parent company

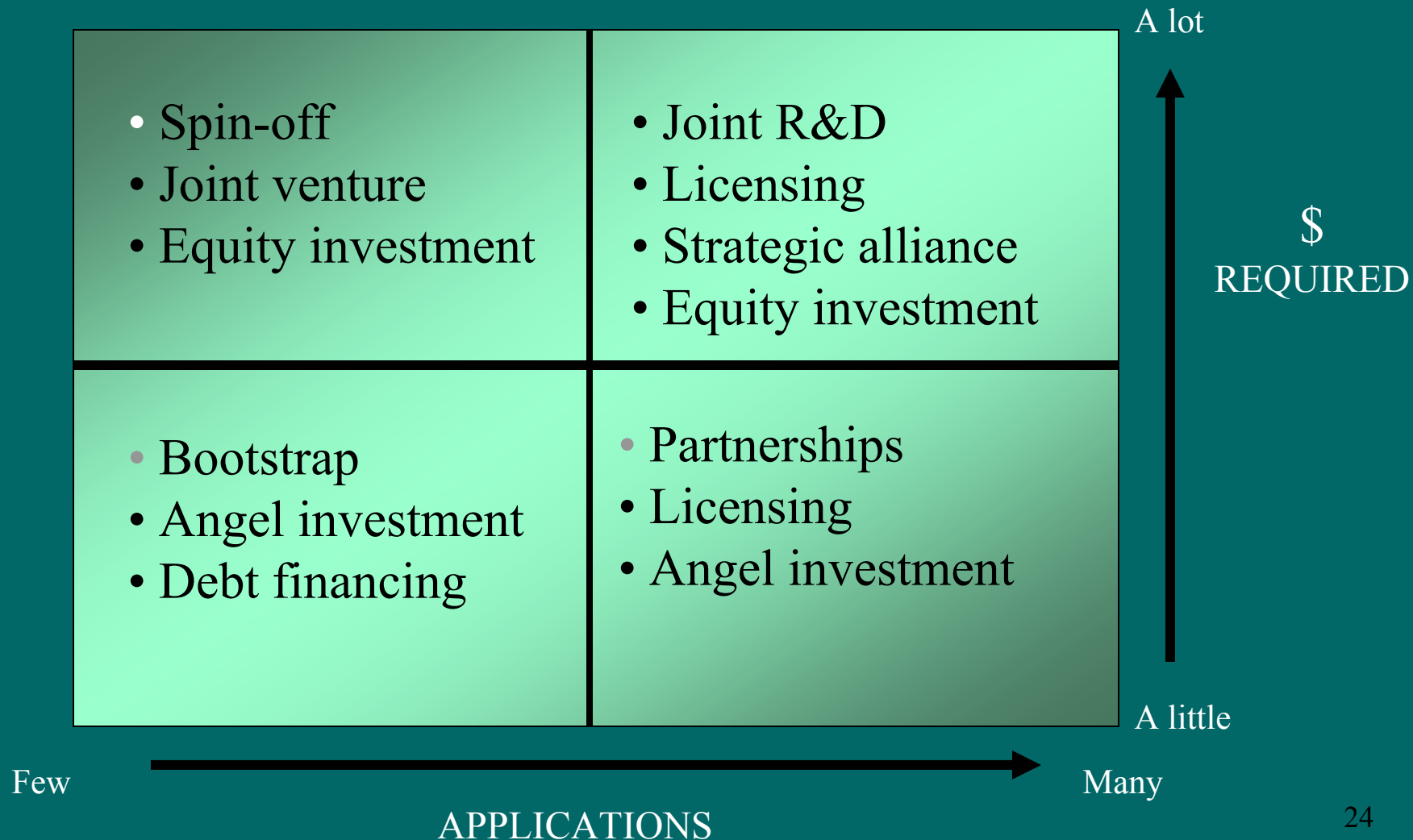
Life-style firm



Spin-off

*High potential
venture*

Financing Options as a Function of Application & Resources Required





**Plans are nothing.
Planning is everything**

Dwight D. Eisenhower